WEALTH AND WELFARE.

At a time when the problems of wealth and wealth distribution are absorbing an ever-increasing share of public attention, it would seem desirable that certain of the concepts of modern economics should be restated in a form which will bring the economists and the public together, at least so far as outlook is concerned.

The conditions are these: a hundred years of material progress, beyond the dreams of earlier thinkers, almost beyond our own comprehension, has not contributed to the general well-being of society, as it was hoped it might do, as it is felt it should have done. Despite all the achievements of the century passed, poverty continues to exist, with its normal concomitants, vice, misery, and crime,—in many instances apparently deserved, but in many, also, the result of circumstance. Class antagonism based on differences of wealth shows little sign of lessening; and industrial warfare costs this country annually from fifteen to twenty millions of dollars in direct losses, to say nothing of the indirect loss entailed. While inequalities are probably no greater than formerly, no one is yet convinced that such inequalities are, or ever have been, just; and, furthermore, a more enlightened and active social conscience refuses to tolerate inequalities that formerly might have gone unquestioned. It is not that the conditions are altogether new, but that never before have they existed in a community based on the social theory of freedom and equality. In the popular mind the question is being raised whether religious equality, legal equality, political equality, must not be followed by economic equality, or, at least, equality of economic opportunity. While this is also the point of view of the economist, he does not always state his position in such a way as to make it appear that he is fundamentally in agreement with the popular mind.

Let us see how far economics conforms to this popular

idea. As to the natural laws idealized by the early economists, and supposed by them to account for, if not justify, the existing state, it has become apparent to all economists that they are subject to important qualifications. Economic laws are natural laws only when man is included in nature. They are not external to him; are no less changeless than he is, nor are they more so. Nevertheless, their general force must be conceded. We may deny the possibility of a revolution in man's nature,—and this has special pertinence in connection with many of the social remedies and all the social panaceas suggested—but, to the extent to which man's motives and ideas may be modified, social laws are not immutable and inevitable. There have been times when the religious ideal dominated man, and we had the Crusades. There have been times when asceticism ruled large classes, and we had monasticism. To-day more than ever the social and individual ideal is wealth, and greed, it is urged, has well-nigh dominated society; and yet, even here and now, we have seen that in time of national emergency patriotism could rise above self-interest. Can we deny all possibility of the future modification of man's attitude towards wealth and its possession? Nor is this all, nor even the most essential factor. The premises upon which all economic laws depend include man's social and legal environment, determined by custom and positive law, no less than his physical environment; and, as constituting such social and legal environment, the most characteristic and most important elements are the institutions of individual liberty and of private property. That these are fundamental hardly needs emphasis. Included under these comprehensive titles and economically significant are the freedom of the person, freedom of movement and of acquisition, freedom of contract, in respect both to labor and to use of capital, freedom in the establishment of enterprises, freedom of the market, the right to the exclusive use and disposition of material wealth, including land, the right to economic service or forbearance based on contract or public franchise, the right of inheritance and

the right of bequest. Changes, extensions, limitations, or, still more, the total abolition of such rights, must immediately alter the whole distributive process. Possession of wealth is determined by the operation of economic laws working through man upon nature under conditions determined by law, custom, and public sentiment. The sifting of the rich from the poor is determined by a combination of natural tendencies and capacities, coupled with legal and customary institutions; and both factors are essential for the result. No better proof of the reach and determining influence of such institutions is needed than the fact that socialists, communists, and others who would largely revolutionize such institutions out of existence have not as yet been able, by the freest use of their imaginations, to reconstruct a plausible industrial system without them.

But, having gone so far in admitting the relativity of economic laws, we must urge, on the other hand, in partial justification of the existing order, that, if the Darwinian theory has any applicability to society and social institutions,—and it is generally admitted that it has,—it would indicate, not that present institutions, being a comparatively recent and isolated development, may therefore be lightly swept aside, but, rather, that they exist because they are more fit than those which they have superseded. And here it may be added that the same reasoning would argue against the possibility of sudden and radical change. The régime of private property and free contract, while involving under present conditions certain manifest inequalities, nevertheless is the system under which and through which the world has realized its present marvellous material prosperity. Institutions are justified only in so far and in such way as they contribute to social well-being. If, under existing conditions, private property and freedom of contract meet the requirements of this standard, they stand justified. This is the outlook aimed at from the beginning, and here only can the socialistic criticism be met. This position, however, gives little comfort to those who would arrogantly attribute finality and perfec-

tion to the present system. Quite the reverse is the logic. Though denying the possibility of revolution, we must admit the possibility and even the necessity of institutional change and development, and with such change will come changes in wealth distribution, with the possibility of ameliorating present conditions. But the institutional changes of the future must be predicted, if they can be predicted at all, on the basis of those of the past. In all probability they will proceed, as they have proceeded in the past, in the direction of greater freedom of initiative on the part of the individual, and greater definiteness of responsibility for individual acts, which is the opposite of socialism. This, however, may, and doubtless will, involve a radical restriction of the field of private property and the scope of freedom of contracts.

It is to be noted, in this connection, that the older conception of property made government's sole function the arbitration of strife between practically independent individuals. That is "the best government which governs least"! But man's obligation to the state to pay for protection by measure as received, as the "Benefit Theory" of taxation is stated, is to-day an outgrown formula. Man has social wants as well as individual wants; and, as a member of society without which he could not exist as man, the obligation rests upon him to meet the demands of society according to his ability to pay. Government has cultural as well as police functions. It is also coming to be recognized that there are obligations resting on the individual as to the manner in which he shall consume his wealth, as to the way in which he shall deal with his employees, and, in short, as to all his business relations, which were not contemplated by the older theory of property rights. We are even coming to the conclusion that a leisure class justifies its existence only by ceasing to be a leisure class; *i.e.*, by using its leisure advantageously. Blunt Carlyle says: "In the heavens, in the earth, in the waters under the earth, there is none like unto thee. . . . One monster there is in the world; the idle man." This is understood

to be already the point of view of economists generally; and, if they can so declare their position as to be understood and appreciated by the public, it will do much to bring the economists and the public together.

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THE RELATION OF ABSTINENCE TO INTEREST.

In a former article[1] the writer ventured to present a theory of interest somewhat at variance, though having much in common, with that presented in Professor Böhm-Bawerk's *Positive Theory of Capital.* In the second edition of his *Geschichte und Kritik der Capitalzins-Theorien,*[2] Professor Böhm-Bawerk has done me the honor of noticing that article, commending some of its points, but criticising what he considers to be its main contention. The writer undertook in that article to maintain, in substance, as follows: (1) That capital must be productive, in order to induce any one to pay interest for the use of it. (2) That there must be some sacrifice involved in its accumulation, or else it would accumulate in such quantities that its productivity would, under a law analogous to the law of diminishing returns from land, approach the vanishing point. (3) That not all saving involves a sacrifice, but that a sacrifice appears only when the saving has been carried so far as to cut so deeply into present enjoyments and to add so little to prospective future enjoyments that, in present estimation, the prospective future enjoyments are less than the surrendered present enjoyments. (4) That saving would normally stop at this point unless a premium in the form of more goods in the future than are now sur-

1 "The Place of Abstinence in the Theory of Interest," in this *Journal* for October, 1893.

2 See also, by the same author, *Recent Literature on Interest.* Translated by William A. Scott, New York, 1903.